

## Health Expenditures in Transition Economies within the Framework of Welfare State\*

Ozgur Emre KOC  
Hitit University  
Faculty of Economics and Administrative Sciences  
Corum, Turkey

### Abstract

*Within the historical framework the public sector has attached a special importance at presenting health services which have priority in cultural and economic areas of society. It is well known that one of the fields of activities of public sector is to increase welfare of its citizens. States are adopting policies within their own economic structure to realize social welfare. The concept of welfare state is based on active and comprehensive interferences of state to economy with the aim of providing social prosperity to its citizens with maximum advantage. The welfare state, with its institutionalizing structure, has been an important instrument for social policies towards social services and combating against poverty. The fundamental character of a social welfare state is to present circumstances which enhance life conditions of each citizens and to provide full employment with expenses on social security, health and education..*

**Keywords:** Transition Countries, Welfare Economies, Health Expenditure

### 1. Introduction

At present days health services have a special place among compulsory assets and duties for economic and social development of the society. It very important for all individuals in the society to receive these services properly. States attach special importance at improving and extending health services both to enhance economic development and to rise generations who rationally and eagerly design their future. Nowadays the shares of health expenditures of states have been rising. The understanding of welfare state which is still developing since 19th century, attaches importance to health services and expenditures towards these services. In this research it is aimed to examine the situation in welfare states and transition economies from the perspective of economic importance of health services.

### 2. Notion of Welfare State

The notion of a welfare state goes back to mid of 19th century. Measures of health insurance in Germany introduced by Bismarck in 1883 and electricity, gas and tramway services in United States of America and Austria carried out by the states themselves are considered as the first steps of the welfare state. (Drucker, 1994; 175-77). The development process of a welfare state has started with the regulations in social welfare. The appearance and improvement of a welfare state is based on social security law of Bismarck administration that was the first regulations on poverty and social security in Germany in 1870s, and Poverty Code of UK introduced in 17th century. It is possible to divide the improvement of a welfare state into 4 periods. The first one is "Beginning and Experience" started in 1870s. The second period is "Re-enforcement and Consolidate" that practices go back to 1930-1940. The third period is "Enlargement and Extension" between 1950 and mid 1970s. The last and fourth period is "Questioning and Re-shaping" began in mid 1970s and still continues. (Koray, 2000). After the WW1 and especially since the beginning of the WW2, states have started to fight against increasing social problems. The devastation and economic crisis occurred after the wars gave a character/right to states to interfere into economic and social areas continuously. After the WW2, western European powers has experienced a successful period from 1945 to end of the 1970s which is also called "30 magnificent years" or "quarter century of the Golden Age" (Hobsbawm, 2007).

---

\*The study is an edited version of the paper which was presented on 1-3 July 2014 at International Conference on Euroasian Economies.

We see the first practices of the welfare state in 19th century in Germany. Besides, we also find some examples in Australia, North America and in the western European countries. Generally, the implementation of welfare state has started after the industrial revolution. The need to eliminate the undesirable results erupted in society's structure with the industrial revolution caused emerging of the welfare state. (Pierson, 1998).

Basically, the welfare state is a state which is interested in all dimensions of the citizens' life, offering equal chance to all individuals to achieve economic and social opportunities and ensuring a minimum standard of life to its citizens. The basic indicator of a welfare state is, along with its other duties, its duties for providing the basic needs of individuals in the country like employment, education, health, and sheltering. In a welfare state, public sources are used effectively to meet the social needs of the society. In some circumstances, state fulfills these social services directly via the institutions established by the state itself. (Seyidoğlu, 1999).

According to Dolgoff ve Feldstein (2007) all citizens benefit from these social, financial, or vocational systems differently but functionally same way and the practices of the welfare state (Eser, Memişoğlu & Özdamar, 2011). If we look at the foundations of the social welfare state we can say that the aim of that state is to prevent the socialism threat. The notion of the social welfare state was first used by Bismarck in 1880. Then in 1941 Arch Bishop Temple used the term to point out the distinction between the understanding of allied powers based on reconstruction of the state after WW2 and the authoritarian state understanding of NAZI administration during the WW2. The notion of welfare state enters to literature in 1942 with Beveridge Report.

Asa Briggs' (1961) interpretation of the social welfare state is the most popular interpretation in the literature. According to this interpretation, social welfare state is an organized public power to serve a life of standard to everyone without regarding their status or social class and to prevent the probable problems caused by risks like unemployment, age, illness of an individual or a family, and to use market powers to guarantee a minimum income level to individuals and families.

### **3. The Aim of Welfare State**

The notion of social justice which erupted in mid 1990s, contributes to emerging of social welfare state. The notion of social justice became important due to increase of income diversities between rich and poor in economically developed countries and the pressure of reconstruction in European countries because of the demographic changes and globalization factors. The aims of the social welfare state can be explained in 4 main items. These are combating against poverty, equality of distribution of income, providing to equality of opportunity and services of social security for all citizens. Poverty means lack of financial opportunities of a person to meet his fundamental humanitarian needs. A state adopts preventive policies against poverty with monetary and financial means (like control over price and income, taxes and public expenditures).

Guaranteeing a minimum level of income to every person and every family to survive constitutes the second aim of the welfare state. Welfare states want to remove the unequal and injustice distribution of income in the society with the aim of realizing a better social order. In this regard, it wants to establish a fairly distribution of income. One of the other aims of a social welfare state is to ensure equal opportunities to individuals live in the same society. Equality of opportunities means that the state guarantees to offer a standard service for sheltering, education, health etc, to all its citizens without considering any differences between social classes. Social security services to remove the negative effects of social security and social risks on individuals are another aim of social welfare state. In this regard, guaranteeing to meet the needs of citizens against social risks like illness, disability, or old age is required.

Providing social security, social services, and social assistance to its citizens is not a favor but a responsibility for a welfare state. Social welfare state is an officious state. The reason behind its interference to markets is the need to remove the problems emerged because of the market failure. Welfare state is a regulator state because the income of labor market is not sufficient to ensure a minimum standard of life. The state regulates markets to ensure a standard for workers to survive. (Clarketc, 1998). One of the most important features of the welfare state is its ability to reallocate the income. Eliminating inequality of income among social classes in the society is also a fundamental principle of the welfare state. Both economically and socially this function is very important. Because increase in inequality of income among classes inevitably leads to some undesirable social problems in the society (like burglary, extortion, kidnapping etc). As a result of this, a welfare state interferes to market to eliminate such inequalities by public expenditures and taxes.

#### **4. Features of the Welfare State**

Welfare state serves to various aims. The goals of the welfare state can be listed as eliminating poverty, enhancing equal and just distribution of income, ensuring social balance and harmony, maintaining economic growth and development, realizing full employment and price stability.

The means of the welfare state to generate these aforesaid goals are; regulations and price controls, direct public production, public expenditures, public income, money and credit policies and social policy means. Welfare state put the individual on the center of the society. The aim of the state is to serve and provide opportunities to the individuals to improve them materially and morally. So, state uses its authority to empower the individual and society rather than its political or economic administration (Aktan ve Özkıvrak, 2009). Welfare state has established on the basis of bolstering individuals with social and economic rights to benefit from positive and negative rights and right to choose to survive without leaving them under the level of minimum standard of life.

The principles of a welfare state (Galbraith, 2004, Duman, 1997):

- The welfare state works to ensure a regularly functioning capitalist state under its surveillance and control.
- The welfare state is assigning new duties to control and interfere into economic and social life by protecting institutions of individualist political democracy.
- Tries to liberalize individuals by removing social and economic pressures/obstacles.
- The state does not administrate economic and social life by itself. It establishes a democratic order in social and economic life with the society.
- Social welfare state meets the basic needs of individuals like sheltering, health, education and livelihood; and it also liberalizes the individuals with social, economic, and cultural rights; and provides minimum life conditions.
- State is responsible to increase and enhance social welfare with considering the difference between social classes in the society and giving priority to disabled and poor.
- Like an arbitrator, it establishes a control mechanism in the market to ensure a fair environment for competition with preventing cartels, trusts, and monopolies.
- Ensuring social security.

It tries to adopt and harmonize appropriate financial policies, especially tax policies to ensure fairly distribution of income. It establishes a full democratic environment to make the individuals part of the administration process. A welfare state not only accepts equality of individuals before law but also takes steps to provide equality of chance and opportunity for all of them. In this regard, it tries to fix inequalities created by social and economic factors.

#### **5. Importance of Health Services**

It is very important for public administration to apply social policies which ensure health and happiness of individuals in the society. Presenting health services to grow healthy generations is one of the most important responsibilities of the public sector. Health care policies are focusing on human beings and attach importance to healthy and long living of people for the benefit of whole society. Public sector's role is very important for serving health services. For financing the health services, state covers all total expenses directly by it or subsidize the institutions that bear that service. There are 3 different ways in financing the health services. First one is known as Bismarck model. According to that model, the expenses are covered by the amount which called as tax cut on the vouchers. The second one is to serve health services free of charge or with a minimum cost. United Kingdom can be an example for model 2. In the third way, health care services are carried out by commercial insurance companies. Even if it is possible for a state to adopt any of these 3 models, states usually prefer a composite approach that covers all these 3 models together to present these health services.

To deprive one man in the society from having a medical treatment will inevitably affect health conditions of the others. Healthy life style of individuals in the society means bringing up healthy generations. This approach is accepted as "positive external benefit of health services" in the literature. Presenting of health services with that external benefit, is essential for society's evolution in economic and social fields. With the expansion of social state understanding, the public sector has begun to adopt health policies which cover all members of the country. States attach great importance both to ensure economic development and to expand and improve the existing health services in order to bring up healthy individuals who have rational expectations for their future.

## 6. *The Notion of Transition Economy*

Globalization shows the fact that competitive capacity of a state which did not or could not pass to free market economy is limited. States which do not adopt free market economy should leave their existing economic systems in order to struggle for global conditions of competition.

We call those states which are transferring free market economy as transition economies. States which already have that economic structure are called transition countries. The term of transition economy is used for former soviet republics that try to leave strict central planning economy of years and to establish a market economic system. The process towards market economy is called transition period. Naturally this transition period preserves many dimensions and accepted as a process from 'Central Planning Economy' to 'Market Economy' for economic evolution. The term of transition economy has been widely used in economic and social literature especially since the dissolution of the Soviet Union. The most important reason of that, 25 countries which regained their independence after the dissolution of the Soviet Union, embraced the efforts towards free market economy as an economic and social solution. These countries are called transition economies due to their efforts to transfer their economic structure into free market economy. (Turan, 2007).

It is possible to classify transition economies into 3 groups. In the first group there are Central Eastern European countries (including Baltic States). We can say that these states have introduced more radical reforms and became more successful comparing other countries. There are some important economic, social, and cultural developments in these countries which have also become EU members in mid 1990s. In the second group we see CIS and former Soviet Union republics. In spite of the fact that all these countries experienced the same transition period, there is diversity between them. For example, Belarus, Uzbekistan, and Turkmenistan have adopted a less radical reform process comparing to other states. So, they experienced a harder and more complex transition process. In the third group, there are China and Vietnam. Reforms began in China in 1978. Despite low socio-economic development level during the reform period, they are, especially China, growing fast in recent years. Today there are 2 states that implement planned-economy system which are Cuba and North Korea (Altay, 2002).

The failure of transition countries, which newly transformed from closed economic system to market economy can be understandable due to problems derived from structure of planned economy. Those economies have tried to apply numerous reforms with the aim of changing state's economic system since 1990s. However the general features of the old system have negative effects on success of the reforms (Peter, 2012). Due to the problems derived from structural problems of the planned system, they became weak and ineffective against free market economies in economic competition. They introduced lots of reforms to overcome the structural problems. It is not possible to say that all those reform efforts gained successful results because the structural deficiencies of old system still continuous. These structural problems are (Boettke, Leeson, 2003):

- Monopoly of communist party,
- Existence of monopoly structures in each industrial part of the industrial sector,
- Poor quality of goods and lack of consumption goods,
- Inflation,
- Financial imbalance,
- Social security measures which increase unemployment.

With the dissolution of Soviet Union along with the states entered into a transformation process, states of mixed economic system also make efforts to catch up the existing competition in foreign markets. The term of transition economy has become common with the dissolution of Soviet Union. In this regard lots of states made efforts towards a free-planned economic system from central planned economic structure. (Ugur, Izgi, 2011). Those countries considering their efforts are called transition countries. There are some basic transformation matters of transition process of market economy the final aims of which are catching up economic growth and creating an economy with high life quality standards. According to the World Bank these concepts are listed as;

- Leave prices and all market activities free to make optimal allocation of sources possible,
- Improvement of secondhand instruments towards ensuring market stability from macroeconomic views,
- Finalize the financial opportunities given to entities from state budget,
- Fulfillment of free market economy conditions like property rights, rule of law, transparent market conditions, free entrance, and exit to/from the market.

Havrylyshyn and Wolf classified the features of transition period as (Havrylyshyn ve Wolf, 1999); make economy more active, liberalize price and the market and reallocation of sources in accordingly, improvement of indirect and market oriented means for macroeconomic stability, pursuing a tight budget policy for a certain time for rise of profitability in the economy, make legal and institutional framework for protection of property rights, adopt status and regulation for transparent market entrance.

### 7. Welfare State and Health Expenditures in Transition Countries

Economic and social development of societies depends on health systems of the countries. Expanding the health services to all society and achieving them easily by the members of that society can only be possible with a properly working health system. World Health Organization (WHO) describes health as a situation without any illness and/or disability and at the same time without any physical, mental, and social troubles (Koc, 2007). Health care services cover all activities to provide medical treatment to persons who suffered from illnesses caused by moral, physical, or social reasons, to make them happy and to protect health of persons and society. These activities involve mother-baby care, family planning, protection of environment, medical education, production of drugs and medical equipments and all other services focused on protection of people's health, cure their illnesses and increase the life quality of people.

Until very early past health care services are under the authorization of market economy and charitable institutions. However with the social state understanding health services became one of the prior operational fields of public sector. Public health became very important. Health services are considered as public services carried out by public sector/state, which realize social benefit and evaluated as a compulsory duty for health and well-being of people and society. The reason behind this understanding lays that some members of the society from different income groups especially the ones who have the lowest income rate, have trouble to utilize this service.

Compering the welfare states and transition economy states concerning health expenditures we find very surprising results. It is observed that there are concrete distinctions between the transition economies, particularly members or potential members to EU, and independent states gained their independence from Russian Federation.

**Table 1: Health Expenditure per capita (current US) in Transition States**

Countries/Years	2006	2007	2008	2009	2010	2011	2012	2013
Albania	169	208	240	221	200	234	220	240
Azerbaijan	150	192	241	288	310	359	402	436
Belarus	244	304	378	313	323	294	339	463
Bosnia and Herzegovina	275	341	425	440	427	471	446	449
Croatia	813	1,037	1,259	1,189	1,144	1,045	950	982
Estonia	625	845	1,075	1,009	903	988	994	1,072
Hungary	922	1,039	1,147	977	1,026	1,105	999	1,056
Kazakhstan	199	217	313	302	411	474	539	580
Kyrgyz Republic	38	51	60	60	60	71	84	87
Lithuania	570	754	981	880	829	968	939	966
Latvia	606	910	1,012	818	745	838	820	874
Macedonia	246	272	325	301	304	331	314	312
Montenegro	350	401	450	408	458	502	472	461
Serbia	373	549	672	576	540	624	556	475
Slovak Republic	763	1,082	1,406	1,483	1,378	1,415	1,377	1,454
Slovenia	1,637	1,881	2,298	2,271	2,083	2,225	2,069	2,085
Tajikistan	23	28	40	39	45	50	61	70
Turkmenistan	129	113	84	76	87	113	128	158
Uzbekistan	35	49	61	76	76	91	110	120

Source: Word Bank.

Health, as a component of human capital, is among the determining factors of the economic development. According to human capital concept, when a man develops his skills and ability naturally productivity of economic activities will increase (Karagül, 2002) from that point of view we see big differences between transition economies and welfare economies concerning health expenditures per capita. If we examine health expenditures per capita in transition countries, we see the lowest health expenditures in Albania among countries in European continent. However the most striking result belongs to Tajikistan, Uzbekistan, and Kyrgyzstan. The health expenditures per capita are less than 100 USA Dollars.

**Table 2: Health Expenditure per capita (current US) in Welfare States**

Countries/Years	2006	2007	2008	2009	2010	2011	2012	2013
Germany	3,746	4,231	4,716	4,724	4,668	4,992	4,717	5,006
Italy	2,852	3,106	3,498	3,365	3,267	3,422	3,114	3,155
Netherlands	4,459	5,150	5,836	5,740	5,696	6,048	5,836	6,145
Norway	6,276	7,352	8,194	7,637	8,164	9,261	9,312	9,715
Spain	2,357	2,729	3,114	3,019	2,874	2,944	2,626	2,581
Sweden	3,947	4,526	4,886	4,357	4,694	5,403	5,293	5,680
Switzerland	5,643	6,127	7,104	7,278	7,697	9,254	9,071	9,276
United Kingdom	3,395	3,916	3,834	3,463	3,442	3,609	3,595	9,598
USA	7,156	7,538	7,825	8,054	8,299	8,553	8,845	9,146
Belgium	3,646	4,179	4,733	4,689	4,590	4,951	4,742	5,093
Canada	3,932	4,364	4,662	4,561	5,306	5,695	5,763	5,718
Denmark	5,018	5,710	6,396	6,465	6,267	6,522	6,204	6,270
France	3,872	4,372	4,828	4,722	4,584	4,934	4,644	4,864
Ireland	3,982	4,704	5,326	4,962	4,238	4,310	4,079	4,233
Luxemborg	7,030	7,241	8,317	8,135	7,964	8,391	7,551	7,981
Portugal	1,926	2,199	2,439	2,397	2,352	2,332	2,000	2,037

**Source:** Word Bank.

According to Table 2, which shows health expenditures per capita in developed/welfare economies, the lowest expenses are seen in Portugal and Spain. The average of total health expenditures per capita in Portugal and Spain is 2500 US Dollars. Undoubtedly, Norway, Luxembourg, Switzerland, and USA, shown on Table 2 and evaluated among welfare states, are the most striking countries regarding health care expenditures comparing with other countries. We have to note that apart from USA, population level is low in other countries. That is the main reason for high health expenditures per capita of these countries. In spite of the high population density in USA, United Kingdom, Germany, Canada, France, and the Netherlands, the average of total health expenditures per capita is at around 5500 Us Dollars.

There is a close relation between economic development of a society and health services which is one of the principles of the human capital. According to Sach, the most important impact of health on economic development and improvement process is seen on human capital and initiative capital. The health itself is affected by previously implemented economic policies and at the same time affects human capital and level of technology of the society. Therefore, it may cause increase of income per capita and decrease of poverty (Sach, 2001). Both in developing and developed countries, with noticing the effect of innovation of health policies on economic fertility and development (Çetin ve Ecevit, 2010) health expenditures of publicsector has gained a special role.

**Table 3: Health Expenditure, public (% of total health expenditure) in Transition States**

Countries/Years	2006	2007	2008	2009	2010	2011	2012	2013
Albania	43,9	43,1	45,9	48,9	46,4	49,9	49,3	48,4
Azerbaijan	14	19,2	18,9	22,9	21,9	21,5	22,6	20,8
Belarus	70,2	69,1	65,1	64	77,7	70,7	77,2	65,4
Bosnia and Herzegovina	60,1	63,7	67,7	70,6	70,9	71,3	73,2	70
Croatia	86,1	87	84,9	85,7	85,7	78,6	80,1	80
Czech Republic	86,7	85,2	82,5	84	83,8	84,2	84	83,3
Estonia	73,3	75,6	77,8	75,3	78,9	79,3	78,7	77,9
Hungary	69,8	67,3	67,1	65,7	64,8	63,8	62,6	63,6
Kazakhstan	61,9	56	62	64,1	57,2	56	55,8	53,1
Kyrgyz Republic	48,7	51,4	51,5	55,7	55,7	59,7	60,2	59
Lithuania	69,5	73	72,4	72,8	70,8	69,2	65,3	66,6
Latvia	64,1	60,7	62,2	59,5	60,1	63,5	60,6	61,9
Macedonia	65,1	65,1	69	66,4	63,2	64,4	65,3	68,9
Montenegro	70,1	67,5	65,1	59,5	60,5	60,5	61,7	57,3
Serbia	63	61,4	62	61,9	61,9	62,2	61,2	60,5
Slovak Republic	68,3	66,8	67,8	65,7	68,1	70,9	69,7	70
Slovenia	72,7	72,3	74,3	73,8	74,2	73,5	71,5	71,6
Tajikistan	19,8	22,2	24,6	24,9	26,4	28,6	29,4	30,6
Turkmenistan	53,2	64,3	49,2	61,8	61,6	64	63,5	65,5
Uzbekistan	44,7	39,5	42,7	41,5	51,5	50,7	57,1	51
Poland	69,9	70,4	71,8	71,6	71,2	70,3	69,2	69,6

Source: Word Bank.

As seen on the table above public sector has priority concerning health expenditures in transition countries. However, we have to say that comparing them with welfare states, this situation is not sufficient. We see that, despite being transition countries, public sector in Croatia and Czech Republic achieve the average level of welfare states. In addition, undoubtedly we see that welfare states of EU members or potential members whose negotiations for full membership is still going on, are not able to catch up that success.

**Table 4: Health Expenditure, public (% of total health expenditure) in Welfare states**

Countries/Years	2006	2007	2008	2009	2010	2011	2012	2013
Belgium	72,9	72,5	74,7	75,7	75	75,9	75,2	75,8
Canada	69,8	70,2	70,5	70,9	70,8	70,4	70,1	69,8
Denmark	84,6	84,4	84,7	85	85,1	85,2	85,8	85,4
Germany	76,4	76,4	76,6	76,9	76,8	76,5	76,7	76,8
Ireland	75,4	75,7	75,4	72,6	69,6	67,8	67,6	67,7
Italy	78,2	78,3	78,9	78,9	78,9	77,2	77,3	78
Luxemborg	85,1	86,7	88,5	86,6	85,9	85,3	83,5	83,7
Netherlands	78,3	78,2	78,9	79,8	79,4	79,5	79,6	79,8
Norway	83,6	84,1	84,4	84,6	84,7	84,8	85	85,5
Portugal	67	66,7	65,3	66,5	68,7	66,5	64	64,7
Spain	71,6	71,9	73,2	74,7	74,2	73,4	71,7	70,4
Sweden	81,1	81,4	81,5	81,5	81,5	81,7	81,3	81,5
Switzerland	59,1	59,3	65,5	65,5	65,2	65,4	65,8	66
United Kingdom	81,7	80,5	81,4	83,4	84	83,4	84	83,5
USA	44,9	45,2	46	47,3	47,4	47,3	47	47,1

Source: Word Bank.

Health care expenditures (of a state) provide savings in citizens' potential health expenditures by protecting working power and decreasing or totally eliminating potential health problems. In this regard investments on health services by increasing human capital play a special role in development of a state. (Yumuşak, Yıldırım, 2009). It is observed that depending on development levels of states, increase of health resources leads to increase in life standard of persons. As a result of this innovation of health services accelerates economic growth.

**Table 5: The Share of Health Expenditures in GDP in Transition Economies**

Countries/Years	2006	2007	2008	2009	2010	2011	2012	2013
Albania	5,9	6,1	5,9	5,8	5,3	5,7	5,6	5,9
Azerbaijan	6,2	5,1	4,4	5,9	5,3	5	5,4	5,4
Belarus	6,3	6,4	5,9	6,1	5,6	4,9	5	6,1
Bosnia and Herzegovina	8,5	8,7	8,9	9,8	9,8	9,9	10,1	9,6
Croatia	7	7,5	7,8	8,2	8,4	7,3	7,3	7,3
Czech Republic	6,7	6,5	6,8	7,8	7,5	7,5	7,5	7,2
Estonia	5	5,2	6	7	6,3	5,8	5,9	5,7
Hungary	8,3	7,7	7,5	7,7	8,1	8	8	8
Kazakhstan	3,7	3,2	3,6	4,1	4,4	4,1	4,3	4,3
Kyrgyz Republic	6,7	6,9	6,1	6,8	6,7	6,2	7	6,7
Lithuania	6,2	6,2	6,6	7,5	7,1	6,9	6,7	6,2
Latvia	6,8	7	6,6	6,8	6,6	6,1	5,9	5,7
Macedonia	7,8	7	6,9	6,8	6,8	6,6	6,9	6,4
Montenegro	8	6,7	6,1	6,1	6,9	6,9	7,2	6,5
Poland	6,2	6,3	6,9	7,2	7	6,9	6,8	6,7
Serbia	9,4	10,4	10,4	10,5	10,7	10,4	10,6	10,6
Slovak Republic	7,3	7,8	8	9,2	8,5	8	8,1	8,2
Slovenia	8,4	8	8,3	9,2	9	9,1	9,4	9,2
Tajikistan	5,7	5,3	5,6	5,9	6	6	6,4	6,8
Turkmenistan	2,9	2,1	1,9	1,9	2	2	1,9	2
Uzbekistan	5,5	5,8	5,9	6,3	5,3	5,6	6,1	6,1

Source: Word Bank.

According to Table 5, we see that Serbia and Bosnia Herzegovina differs from other transition economies and they substantially have higher rate. Transition economies of EU members are behind developed countries of EU members. The proportion of health expenditures of EU and G8 powers to GDP is approximately % 10. Today, the states which have achieved a certain welfare level or developed ones, set aside more sources every year for better and more qualified health services with the aim at investing on human force. Treatment and protection and improvement of public health are counted among basic conditions of economic development. As a result of this, every year developed countries reserve more share for health services from GDP. Sachs (2001) summarized contribution of health to process of growth and development as follows; may be the biggest economic effect of health is seen on human capital and initiative capital. Health is affected economic policies and institutions and it affects human capital of the society. Therefore, this may result in increase of income per capita and decrease of poverty.

**Table 6: The Share of Health Expenditures in GDP in Welfare Economies.**

Countries/Years	2006	2007	2008	2009	2010	2011	2012	2013
Canada	9,7	9,8	10	11,1	11,1	10,9	10,9	10,9
Denmark	9,9	10	10,2	11,5	11,1	10,9	11	10,6
France	10,9	10,8	11	11,7	11,7	11,5	11,6	11,7
Germany	10,6	10,5	10,7	11,7	11,6	11,2	11,3	11,3
Italy	8,8	8,6	9	9,5	9,5	9,2	9,2	9,1
Ireland	7,5	7,9	9	9,9	9,2	8,7	8,9	8,9
Luxemborg	7,7	6,7	7,2	8,2	7,7	7,4	7,2	7,1
Netherlands	10,7	10,8	11	11,9	12,1	12,1	12,7	12,9
Norway	8,6	8,7	8,6	9,7	9,4	9,3	9,3	9,6
Portugal	10	10	10,2	10,8	10,9	10,4	9,9	9,7
Spain	8,4	8,5	8,9	9,6	9,6	9,4	9,3	8,9
Sweden	8,9	8,9	9,2	9,9	9,5	9,4	9,5	9,6
Switzerland	10,4	10,2	10,3	11	10,9	11,1	11,4	11,5
United Kingdom	8,3	8,4	8,7	9,7	9,4	9,2	9,3	9,1
USA	15,3	15,6	16,1	17,1	17,1	17,1	17	17,1

Source: Word Bank.



One of the other indicator of a society's well-being is average life time of that society. It is observed that average life time is low in less developed countries. The average life time highly affects human capital. Because, with the extension of the average life time, active working time also increases. Considering human capital, If we accept that each person has a certain investment power, human capital's benefit period from fixed capital investments will extend and therefore the productivity of the investment will increase. (Yumuşak, Yıldırım, 2009).

**Table 7: Life Expectation at Birth in Transition Economies**

Countries/Years	2006	2007	2008	2009	2010	2011	2012	2013
Albania	76	76	77	77	77	77	77	78
Azerbaijan	69	70	70	70	70	71	71	71
Belarus	69	70	70	70	70	71	72	72
Bosnia and Herzegovina	75	75	76	76	76	76	76	76
Croatia	76	76	76	76	76	77	77	77
Czech Republic	77	77	77	77	77	78	78	78
Hungary	73	73	74	74	74	75	75	75
Kazakhstan	66	67	67	68	68	69	70	70
Kyrgyz Republic	68	68	68	69	69	70	70	70
Lithuania	71	71	72	73	73	74	74	74
Latvia	71	71	72	73	73	74	74	74
Macedonia	74	74	74	75	75	75	75	75
Poland	75	75	76	76	76	77	77	77
Montenegro	74	74	74	74	74	75	75	75
Serbia	73	73	74	74	74	75	75	75
Tajikistan	67	67	68	68	69	69	69	69
Turkmenistan	65	65	65	65	65	65	65	65
Uzbekistan	67	68	68	68	68	68	68	68
Slovak Republic	74	74	75	75	75	76	76	76
Slovenia	78	79	79	79	79	80	80	80
Estonia	73	73	74	75	75	76	76	76

Source: Word Bank.

According to Bloom and Canning the health expenditures have a positive effect on economic welfare and growth. The reasons of this positive effect can be listed as below;

- Healthy individuals (employees) are more productive
- Healthy individuals positively affect the capital,
- High level of average lifetime prompts increase of physical investments.

Additionally, high health expenditures also support increase of average life time and in the long run this will increase growth. Despite the average life time is 80 years in developed countries, It is lower in transition economies which also have low development level. Especially the situation is very serious in Turkic republics like Kazakhstan, Turkmenistan, and Kyrgyzstan. The average life time is even below 70 years in those countries.

**Table 8:Life Expectation at Birth in Welfare Economies**

Countries/Years	2006	2007	2008	2009	2010	2011	2012	2013
Canada	81	80	81	81	81	81	81	81
France	81	81	81	81	81	82	82	82
Germany	79	80	80	80	80	81	81	81
Italy	81	81	81	81	82	82	82	82
Netherlands	80	80	80	81	81	81	81	81
Norway	80	80	81	81	81	81	81	81
Spain	81	81	81	81	82	82	82	82
Sweden	81	81	81	81	81	82	82	82
Switzerland	81	82	82	82	82	83	83	83
United Kingdom	79	79	80	80	80	81	81	81
USA	78	78	78	78	79	79	79	79

Source: Word Bank

## 8. Conclusion

The level of development of a society and realizing the economic growth and improvement are mainly depend on availability of a working and productive population. Obviously, there is a close relationship between productivity and profitability of the working class and health services of the society. The effectiveness of preventive health care and treatment services on protection of an illness and duration of a treatment play a pivotal role on increase of profitability and productivity of persons, and on the other hand contributes to development of the countries. With the understanding of welfare state after WW2 and appearance of notion of social state, investment on human capital has gained importance in developed countries. In those countries which accepted as welfare states, the higher level of health care expenditures per capita and share of health care expenditures in GDP support that situation.

It is possible to say that, from the perspective of states in transition period, EU member or potential member states which are far from level of developed countries, has willingness to catch up those developed countries. However, we have to underline that, those transition countries that have thinly scattered population, are very far from welfare states which also have thinly scattered population. The level of health in a society is an important matter which bolsters human capital and contributes development of it. There is a connection between health and development level of a society. In many states which finished their economic development vast sources are reserved for health. So, renovation in health services contributes economy.

There should be a healthy society for a state to have a strong economy and for providing of economic growth and preserving the sustainability of that growth. In order to talk about availability of a healthy society, health services should be presented to meet needs of the society. Concerning economic growth health expenditures have a special place. The first effect of a good health level on economic growth is providing a longer period of benefit from investment of human capital by extending life time of individuals. So, longer life time expectation of people, with the expectation of long run yield from human investment during their life time and by positively affecting their personal saving decisions, transformation of increased savings to investment will reflect on economic growth helpfully.

Comparing transition countries, we see the worst situation in Middle Asian states which regained their independence from Russian Federation and called as Turkic Republics. Those countries are not successful to remove the relics of old regime and to make necessary regulations to achieve a desirable level. These are the main factors why these states are beyond at least 20 years from other transition economies.

## References

- Aktan, Ö. (2009). *Sosyal refah devleti*. İstanbul: Okutan Yayınları.
- Altay, A. (2002). Geçiş ekonomilerinde devletin ekonomik rolleri, görevleri ve kobilerin durumu. *İstanbul Üniversitesi Maliye Araştırma Merkezleri Konferansı*. İstanbul.
- Bloom, D. E., & Canning, D. (2000). The health and wealth of nations. *Science*. New Series, Vol. 287, No. 5456, 1207-1209.
- Boettke, P.J., Leeson, P.T, (2003), "Is The Transition to The Market too Important to be Left The Market", Institute of Economic Affairs, Published by Blackwell Publishing, Oxford, [Online] Available: [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=869140](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=869140) (April 5, 2014)
- Briggs, A. (1961). The welfare state at historical perspective. *European Journal of Sociology* 2(02):December 221-258.
- Çetin, M., & Ecevit, E. (2010). Sağlık harcamalarının ekonomik büyüme üzerindeki etkisi: OECD ülkeleri üzerine bir panel regresyon analizi, *Doğuş Üniversitesi Dergisi*, 11 (2), 166-182.
- Dolgoft, F. (2007). *Undersandingsocialwelfare: a searchforsocialjustice*, (7th ed.). Boston: Pearson Education Allynand Bacon.
- Drucker, P. F., (1994). *Kapitalist ötesi toplum*, İstanbul: İnkılâp Kitabevi.
- Duman, İ. (1997). *Sosyal devlet*, İstanbul: İnkılâp Yayınevi.
- Eser, B., Memişoğlu, D., & Özdamar, G. (2011). Sosyal siyasetin üretilmesi sürecinde refah devletinden neo-liberal devlete geçiş: devletin kamu hizmeti sunma işlevinin değişimi, *Süleyman Demirel Üniversitesi İktisadi ve İdari Bilimler Fakültesi Dergisi*, 16, 201-217.

- Galbraith, J. K. (2004). *İktisat tarihi*, (Müfit Günay, Trans). Ankara: Dost Kitabevi. (Originalworkpublished 1998).
- Havrylyshyn, W. (1999). Determinants of growth in transitioncountries. *Finance Development*, 36-2. [Online] Available: <https://www.imf.org/external/pubs/ft/fandd/1999/06/havrylys.htm> (April 5, 2014)
- Hobsbawm, E. (2007). *Kısa 20. yüzyıl 1914–1991 aşırılıklar çağı* (3th ed.). (Yavuz Alogan, Trans.). İstanbul: Everest Yayınları. (Originalworkpublished 1994).
- Karagül, M. (2002). Beşeri sermayenin iktisadi gelişmedeki rolü ve türkiye boyutu. Ankara: Afyon Kocatepe Üniversitesi Yayınları, Yayın no: 37.
- Koç, Ö. E. (2007). Türk sosyal güvenlik sistemi kapsamında sağlık harcamalarının finansman sorunu ve çözüm önerileri, (Master dissertation, Celal Bayar Üniversitesi, 2007).
- Koray, M. (2000). *Sosyal politika*. Bursa: Ezgi Kitabevi.
- Pierson, C. (1998). *Beyond thewelfarestate: thenewpolitical economy of welfare*(2nd ed.). Pennsylvania: The Pennsylvania StateUniversityPress.
- Sachs, J.D. (2001). *Macroeconomicsandhealth: Investing in healthforeconomicdevelopment*. Geneva, Switzerland: World HealthOrganization Office of Publications.
- Seyidoğlu, H. (1999). Ekonomik Terimler Ansiklopedik Sözlük, İstanbul: Güzem Can Yayınları.
- Tokgöz, E. (1981). Sosyal gelişmede sağlık. *Türkiye 2. İktisat Kongresi*. 2-7 Kasım İzmir.
- Turan, E. (2007). Geçiş ekonomilerinde yerleşme reformları: Azerbaycan örneği. *Khazar Journal of Humanities and Social Sciences*, XII, S.1, 579-592.
- Ugur, A. A., & Izgi, B. B., (2011). Socio-economicadaptation of transitioneconomies in theglobalisationprocess. *Electronic Journal of SocialSciences*, Autumn, Volume: 10, Issues: 38, 158-174.
- World Bank. Data:Health. [Online] Available: <http://data.worldbank.org/indicator> (March 12, 2014).
- World Bank. (1996). *From Plan to Marke*. [Online] Available: <http://hdl.handle.net/10986/5979> (March 12, 2014)
- World HealthOrganization (2001). *Macroeconomicsandhealth: Investing in healthforeconomicdevelopment*. Geneva, Switzerland: Office of Publications.
- Yumuşak, İ. G., & Yıldırım, D. Ç. (2009). Sağlık harcamaları iktisadi büyüme ilişkisi üzerine ekonometrik bir inceleme. *TheJournal of Knowledge Economy& Knowledge Management*. IV Spring, 57-70.